

September 28, 1974. Edited by Bruce Annew

B10/25

### The Pentagon adds in inflation

The Defense budget that will be sent to Congress next January will top \$100-billion and then some. The main reason for the huge increase over this year's \$94-billion request: For the first time, the Pentagon intends to budget realistically for inflation and let the costs fall where they may.

Inflation was seriously underestimated in this year's budget. Planners at the Pentagon and the Office of Management & Budget only factored a 3.5% estimate into the costs of major programs. But

the actual rate has ballooned to 11% for procurement and 8.2% for research, development, testing, and evaluation (RDT&E) projects. It has robbed the current budget of \$6-billion in buying power. Congress has cut \$5-billion more.



James Schlesinger

Defense Secretary James R. Schlesinger doesn't intend to get trapped the same way next year. The fiscal 1976 budget is

being calculated on the assumption of eye-popping inflation rates for the next few years. With fiscal 1974 as the baseline of 100, the inflation factors spelled out on internal Pentagon documents are:

1976: Procurement 119, RDT&E 115.8

1977: Procurement 128.3, RDT&E 122.7

1978: Procurement 134.7, RDT&E 128.8

1979: Procurement 140.6, RDT&E 134.6

1980: Procurement 146.7, RDT&E 140.4

After fiscal 1980, Defense Dept. budget officials will assume a milder annual inflation rate of 3.7% for procurement and 4.2% for RDT&E. But the impact of inflation before then will be spelled out in the fiscal 1976 budget that Congress will get in January. Defense Dept. officials will include in that document a five-year projection of defense costs. The enormous cost increases that inflation already has brought about will surface much earlier. In about two weeks, the Pentagon will report to Congress on how prices of major weapons systems have ballooned so far this year.

### U. S. space gear for Russia's Soyuz

The Soviet Soyuz spacecraft that will be used in next July's docking with a U. S. Apollo vehicle will carry built-in insurance against failure of the rendezvous. After watching Soviet problems with their own docking system, the U. S. decided to use the RCA system that worked so well in the lunar

landing and Skylab programs be used in the joint mission.

Three sets of the \$300,000 passive radar system that will be installed in the Soyuz already have been shipped to Russia. Officials are not worried about giving away any secrets: the active part of the system, which does most of the work, will be installed on the Apollo.

### A new look at Farming, Inc.

After years of rhetoric over the decline of the family farm, the government finally is trying to find out just how deeply U. S. corporations have moved into farming. The results—which will take two years or so to compile fully—could determine whether farm state congressmen succeed in their perennial efforts to curb corporate takeovers of farmland.

In the new Census Bureau survey, every company known to be involved in farming is being asked to list the farms it owns and to report its other business lines. Early indications are that most of the companies with farm subsidiaries have agribusiness foundations, as farm equipment distributors, feed manufacturers, wholesalers, and the like. But mining companies, real estate developers, general manufacturers, and more than 15 conglomerates also are thought to be farm owners.

The Agriculture Dept. guesses that farm subsidiaries of such companies may be producing more than \$5-billion worth of crops a year. But the new survey is the first effort to nail that down and to trace the corporate farmers' other interests.

### Capital wrapup

**Pension woes:** The Pension Benefit Guaranty Corp. established by the new pension reform law has already been swamped with applications for plan termination insurance payments. Benefit coverage is retroactive to July 1, and about 170 pension plans have folded since then without sufficient assets to pay all vested benefits. The new federal insurance covers vested benefits up to \$750 a month.

**National notes:** Treasury Secretary William E. Simon's top aides have taken to wearing beepers so they can be contacted any place, anytime. Simon was dismayed when he discovered one man's suburban home is out of range. . . . Some congressmen have begun to muse that, now that they permitted a hike in Civil Service salaries, they ought to raise their own. . . . The new federal insurance covers vested benefits up to \$750 a month. . . . Political realities make that unlikely.